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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

FOR QUARTER ENDED MARCH 31, 1992

Commission File No. 0-17120

MEDI-MAIL, INC.
(Exact name of Registrant as specified in its Charter)

Nevada	88-0215949
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

101 W. Broadway, Suite 830
San Diego, California 92101

(Address of principal executive offices)

Telephone: (619) 232-2300

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

[X] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 1992

OR

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

For the transition period from _____

Commission file number 0-17120

MEDI-MAIL, INC.
(Exact name of registrant as specified in its charter)

Nevada	88-0215949
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)

101 W. Broadway, Suite 830, San Diego, CA	92101
(Address of principal executive offices)	(Zip Code)

(619) 232-2300
(Registrant's telephone number, including area code)

_____
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No _____

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class of Stock	Amount Outstanding
$.001 par value Common Stock	8,419,066 Shares outstanding at March 31, 1992
$.001 par value Class B Common Stock	463,092 Shares outstanding at March 31, 1992

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Medi-Mail, Inc.

Consolidated Balance Sheet

	March 31, 1992 (Unaudited)	December 31, 1991 (Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	$1,923,564	$1,525,643
Accounts receivable, less allowance for doubtful accounts and returns of $20,000 at March 31, 1992 and December 31, 1991	563,190	378,814
Inventories	714,653	453,921
Other current assets	271,125	274,816
	3,472,532	2,633,194
Assets held for sale	572,706	567,706
Property, plant and equipment	401,001	364,047
Other assets	1,533,896	168,562
Total assets	$5,980,135	$3,733,509
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 452,898	$ 346,578
Accrued expenses	48,720	15,673
Current portion of long-term debt	291,579	8,241
	793,197	370,492
Long-term debt	935,333	400,000
Common stock: $.001 par value, (20,000,000 shares authorized, 8,419,066 issued and outstanding)	8,419	7,367
Class B common stock: $.001 par value (2,000,000 shares authorized, 463,092 issued and outstanding)	463	846
Notes receivable from stockholders	(5,000)	(5,000)
Additional paid-in capital	8,401,573	6,796,409
Accumulated deficit	(4,153,850)	(3,836,605)
Stockholders' equity	4,251,605	2,963,017
Total liabilities and stockholders' equity	$5,980,135	$3,733,509

See accompanying notes to financial statements.

Medi-Mail, Inc.

Consolidated Statement of Operations

	For the Three Months Ended March 31, 1992 (Unaudited)	1991 (Unaudited)
Sales	$1,794,035	$1,063,101
Less: returns and allowances	26,744	15,711
Net sales	1,767,291	1,047,390
Less: Cost of sales	1,356,666	825,191
Gross profit	410,625	222,199
Selling, general and administrative expenses:		
Salaries and benefits	369,279	254,788
Marketing and advertising	85,022	88,525
Other administrative expenses, net of telemarketing reimbursements of $168,166 in 1991	268,711	33,636
	723,012	376,949
	(312,387)	(154,750)
Other income (expense):		
Interest income	8,103	
Interest expense	(21,448)	(18,523)
Rental income	14,825	10,500
Goodwill amortization	(6,709)	
Other, net	370	936
	(4,859)	(7,087)
Net loss	$ (317,246)	$ (161,837)
Net loss per common share	$ (.04)	$ (.03)
Weighted average equivalent number of shares	7,950,189	5,141,269

See accompanying notes to financial statements.

Medi-Mail, Inc.

Consolidated Statement of Cash Flows

	For the Three Months Ended March 31, 1992 (Unaudited)	1991 (Unaudited)
Cash flows from (used for) operating activities:		
Cash received from customers	$1,583,285	$1,033,132
Cash paid to suppliers and employees	(2,045,796)	(1,333,349)
Interest (paid) received, net	(13,345)	(18,523)
Telemarketing reimbursements		168,166
Rental income	14,825	10,500
Net cash used for operating activities	(461,031)	(140,074)
Cash flows from (used for) investing activities:		
Purchases of property and equipment	(13,640)	(8,603)
Net cash used for investing activities	(13,640)	(8,603)
Cash flows from (used for) financing activities:		
Proceeds from borrowings		200,000
Repayment of borrowings	(8,241)	(51,623)
Proceeds from issuance of warrants for common stock		300
Proceeds from issuance of common stock, net	880,833	
Net cash from financing activities	872,592	148,677
Net increase in cash	397,921	-0-
Cash balance, beginning of period	1,525,643	-0-
Cash balance, end of period	$1,923,564	$ -0-
Reconciliation of net loss to net cash used for operating activities:		
Net loss	$ (317,246)	$ (161,837)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation and amortization	43,887	13,683
Expenses paid by issuance of common stock		4,670
Change in assets and liabilities:		
(Increase) in accounts receivable	(184,376)	(15,194)
(Increase) in inventories	(36,820)	(19,162)
(Increase) decrease in other current assets	3,691	37,547
(Increase) decrease in other assets	(109,534)	(40,124)
Increase in accounts payable	106,320	44,932
(Decrease) increase in accrued expenses	33,047	(4,589)
Net cash used for operating activities	$ 461,031)	$ (140,074)

See accompanying notes to financial statements.

MEDI-MAIL, INC.

Notes to Consolidated Financial Statements

(1) General

Effective February 18, 1992, the Company determined to change its fiscal year end from July 31, to December 31, effective for the fiscal year ended December 31, 1991. The Company previously filed a transition report for the five months ended December 31, 1991. This Form 10-Q is the first calendar quarterly report.

Management has elected to omit substantially all notes to the Company's financial statements. The Company makes reference to the previously filed (i) Form 10-K for the year ended July 31, 1991 as this report incorporates the notes to the Company's year-end financial statements, (ii) Form 10-Q for the transition period from August 1, 1991 through December 31, 1991, (iii) Form 8-K dated January 31, 1992 and (iv) all amendments thereto.

(2) Unaudited Information

The unaudited condensed consolidated financial statements included herein include the accounts of Medi-Mail, Inc. and its subsidiary (the "Company") and have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. Although the Company believes that the disclosures made in this report are adequate to make the information not misleading, it is suggested that these financial statements be read in connection with the financial statements and notes thereto included in the Company's annual report on Form 10-K for the fiscal year ended July 31, 1991, the Form 8-K dated January 31, 1992 and all amendments thereto and Form 10-Q for the transition period from August 1, 1991 through December 31, 1991.

In the opinion of the Company, the accompanying unaudited financial statements contain all adjustments necessary to present fairly its financial position at March 31, 1992 and December 31, 1991, and the results of operations and its cash flows for the three months ended March 31, 1992 and March 31, 1991.

(3) Acquisition

On January 31, 1992, the Company completed the acquisition of certain assets of Medco Drugs ("Medco"), a group of retail pharmacies located in and near San Diego, California. The Company acquired operating assets of the four pharmacies, including furniture, fixtures, equipment, inventory, and leasehold improvements, as well as certain intangible assets. The purchase price for the acquisition was $1,551,912. The acquisition was completed by the Company through formation of a wholly owned subsidiary called Medi-Phar, Inc., a Nevada corporation ("Medi-Phar"). Medi-Phar holds all assets acquired in the transaction. Accordingly, the balance sheet of the Company at March 31, 1992 includes the accounts of the Company and its wholly owned subsidiary, Medi-Phar. Operating results of the Medi-Phar pharmacies are included with the operations of the Company commencing February 1, 1992.

The purchase price was satisfied through the issuance of 60,000 registered Common Shares of the Company valued at $375,000 on January 31, 1992, a $350,000 obligation payable subsequent to January 31, 1992 and two promissory notes aggregating $826,912. The acquisition was accounted for as a purchase, whereby the assets acquired were recorded by the Company at their fair market value. The assets' estimated fair market value at the date of the acquisition, are set forth below:

Inventory at book value	$ 223,912
Estimated fair market value of fixed assets	53,000
Value of purchase option	150,850
Estimated value of non-compete agreement	117,750
Goodwill (excess of acquisition cost over fair value of net assets acquired)	1,006,400
Total	$ 1,551,912

(This purchase price allocation is subject to adjustment during 1992 for purposes of arriving at the final purchase price allocation.)

The Company's obligation to pay $350,000 to the former owners of Medco was satisfied on February 4, 1992 through issuance of an additional 50,000 registered Common Shares of the Company and the Company's commitment to pay an additional $1,250 to those individuals.

(4) Capital Stock

During the three month period ended March 31, 1992, an aggregate of 1,025,556 Common Shares of the Company were issued. Of this amount, 382,456 shares represented conversion of Class B Common Stock to Common Stock in accordance with the terms of the Class B Common Stock. Net proceeds aggregating $442,831 were received by the Company in exchange for the issuance of restricted Common Shares and Units pursuant to private placement exemptions from the Federal and certain state securities laws. In addition, the Company issued 363,433 Common Shares pursuant to certain registration statements filed with the Securities and Exchange Commission to officers, directors, employees and consultants of the Company upon exercise of outstanding stock options and warrants. As discussed above, the Company issued 110,000 shares related to the acquisition of the Medco assets. The total increase in Shareholders' equity as a result of these transactions was $1,603,134.

The following table summarizes stock transactions for the Company during the three month period ended March 31, 1992:

Description of Transaction	Dates	Number of Shares Issued	Subscription Price
Class B Conversion	1/03/92	349,180	
Exercise of Stock Options	1/13/92	54,000	50,379
Exercise of Warrants	1/27/92	79,714	99,042
Acquisition	1/31/92	60,000	375,000
Repayment of note	2/4/92	50,000	350,000
Class B Conversion	2/9/92	33,276	
Exercise of Stock Options	2/25/92	36,750	37,188
Private Placement	2/6/92	169,667	442,831
Exercise of Warrants	2/28/92	114,000	140,004
Exercise of Warrants	var-March	78,969	108,690
Total		1,025,556	$1,603,134

(5) Contingency.

In 1991, the Company issued warrants to acquire 2,000,000 Common Shares to a marketing consultant in connection with services to be rendered to the Company. Of those warrants, 1,750,000 are subject to a vesting schedule contingent on projected sales from contracts originated by the marketing consultant. All of the warrants are exercisable at a price of $3.00 per Common Share. An associated non-cash charge to earnings of the Company could be incurred to the extent the market price of the Company's Common Shares exceeds $3.00 at the time any of these warrants become vested. For further discussion of the potential effect of this contingency, see Management's Discussion and Analysis of Financial Condition and Results of Operations.

MEDI-MAIL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

During the three month period ended March 31, 1992, the Company's liquidity and working capital increased $416,633 from $2,262,702 at December 31, 1991 to $2,679,335 at March 31, 1992. The increase in working capital resulted from a substantial increase in current assets from December 31, 1991, partially offset by an increase in current liabilities. Cash and cash equivalents increased $397,921 from December 31, 1991, while accounts receivable and inventories increased $184,376 and $260,732, respectively. Current liabilities increased $422,705 from $370,492 at December 31, 1991 to $793,197 at March 31, 1992. The increase in current assets is primarily attributable to the final closing on a private placement completed by the Company during the period, as well as the inventory acquired from Medco. These events also contributed to a substantial increase in total assets, from $3,733,509 at December 31, 1991 to $5,980,135 at March 31, 1992.

Long-term debt increased $535,333 during the period, from $400,000 at December 31, 1991 to $935,333 at March 31, 1992. Current liabilities also increased by $422,705. The increase in long-term debt is associated with the acquisition of Medco assets and is due to the execution of the promissory notes. The increase in current liabilities is partially attributable to a $106,320 increase in accounts payable as well the current portion of long term debt related to the Medco acquisition. The current portion of long-term debt increased as a result of that portion of the Medco notes payable within 12 months. Those notes are payable commencing approximately August 1, 1992 and are payable on a monthly basis as if the notes were amortized over five years, bearing interest at the rate of 8% per annum. The principal amount of the notes may be adjusted downward in the event income from the four Medco pharmacies is less than $372,875 for the twelve-month period commencing January 31, 1992. Following such an adjustment, if any, one-third of the remaining principal balance of the notes will be payable on the first and second anniversaries of closing, with the balance due and payable in full on or before January 31, 1995. Management of the Company anticipates that the operations of Medco, coupled with current financial resources of the Company, will be sufficient to satisfy those promissory notes as they mature.

The remaining portion of long-term debt is attributable to a secured loan on certain real property owned by the Company in the amount of $400,000, which note is due and payable in full on or before October, 1993. Management anticipates selling this real property prior to maturity of that note.

On January 31, 1992, the Company completed the acquisition of assets of Medco Drugs for a purchase price equal to $1,551,912. Consideration delivered by the Company included 60,000 registered Common Shares of the Company valued at $375,000 on January 31, 1992, an obligation to pay an additional $350,000 subsequent to January 31, 1992 and two promissory notes with an aggregate principal amount of $826,912. The $350,000 obligation of the Company was satisfied on February 4, 1992 through the issuance of an additional 50,000 registered Common Shares and an increase in the principal amount of the promissory notes by $1,250. The acquisition was completed by the Company through formation of a wholly owned subsidiary called Medi-Phar, Inc., a Nevada corporation ("Medi-Phar"). Medi-Phar holds all assets acquired in the transaction. Accordingly, the balance sheet of the Company at March 31, 1992 includes the accounts of the Company and its wholly owned subsidiary, Medi-Phar.

In December, 1991, the Company completed the initial closing of a private placement; the final closing of this private placement was completed in February, 1992. The final closing contributed to the increase in working capital and, along with the stock issued related to the Medco acquisition, substantially contributed to the increase in shareholders' equity during the three month period ended March 31, 1992. In December, 1991, an aggregate of 412,000 units of the Company were sold at $3.00 per unit through the efforts of a placement agent retained by the Company. Each unit sold in that offering consisted of one Common Share of the Company and one warrant to acquire an additional Common Share for $5.57 per Share. The final closing of this offering was completed on February 6, 1992 and resulted in additional net proceeds to the Company of $442,831.

Registration of Common Shares of the Company with the Securities and Exchange Commission for issuance pursuant to the exercise of outstanding stock options and warrants in November 1991 resulted in additional proceeds to the Company. During the three month period ended March 31, 1992, an aggregate of 363,433 options and warrants had been exercised for proceeds to the Company of $435,303.

Effective January 10, 1992, the Company registered an aggregate of one million Common Shares for issuance in connection with the acquisition of Medco Drugs, as well as potential future acquisitions. Of that amount, 60,000 Common Shares were issued January 31, 1992 to the former owners of the assets of Medco and 50,000 Common Shares were issued February 4, 1992, both pursuant to

the terms of that acquisition. The remaining 860,245 registered Common Shares are available to the Company to be issued in lieu of cash payments for acquisition of securities or assets of other business entities whose business may supplement that of the Company or for acquisition of additional real or personal property to be utilized in the Company's operations. No specific acquisitions are presently contemplated.

The Company also filed an additional registration statement effective April 1, 1992 for registration of additional Common Shares to be issued by the Company upon exercise of outstanding warrants and Common Shares previously issued in a private placement. An aggregate of 2,204,139 Common Shares were registered for current shareholders and issuance to investors in the two private placements conducted by the Company during 1991/1992 upon exercise of outstanding Common Share purchase warrants. Exercise of these outstanding warrants, of which there is no assurance, would result in additional gross proceeds to the Company of approximately $5,356,260.

The Company will be relocating its Las Vegas facility in June, 1992. In connection with the move, the Company anticipates additional monthly rent of $5,300 and relocation costs of approximately $60,000. The Company anticipates that its current capital resources are sufficient to meet these expenditures.

Based upon existing assets of the Company, the acquisition of Medco Drugs and contemplated improvement in operations during calendar 1992, it is anticipated that the Company's liquidity and capital resources will be sufficient for the foreseeable future.

Results of Operations

For the three month period ended March 31, 1992, the Company incurred losses of $317,246 on net sales of $1,767,291 and total expenses of $2,084,537. Sales increased $730,934 from the same period a year ago. The sales increase is primarily attributable to Medco. The loss is primarily attributable to an increase in selling, general and administrative expenses. It is anticipated that the Company will continue to incur losses until such time adequate sales volume has been achieved.

Current efforts of the Company are directed at increasing sales and the Company's market share in the retail and mail order pharmacy industry. Management anticipates that this focus on long-term growth rather than immediate profitability will inure to the benefit of the Company and its shareholders. However, this commitment to increase market share will require current investment in the Company's future growth. Accordingly, management is unable to predict at this time when the Company will achieve profitability.

Selling, general and administrative expenses increased from $376,949 for the three month period ended March 31, 1991 to $723,012 for the same period ending in 1992. The increase in salaries and benefits was necessary to obtain and retain qualified personnel to assist in the Company's operations. The increase in other administrative expenses was primarily attributable to marketing costs reimbursements in 1991 which were not reimbursed in 1992. Other administrative expenses also includes approximately $34,000 of non cash charges related to the acquisition of Medco assets.

For the quarter ended March 31, 1992 of which Medco's operations for February and March are included in the Company's operations, Medco contributed sales of $609,649 and net income of $23,483. It is anticipated that Medco serve as a beta test site for future operations of the Company necessary to service acute care medication to complement its mail order service.

The Company has and expects to execute several contracts with third party payor groups which should contribute to increased sales. Sales from contracts executed in its fiscal year ended December 31, 1991 and the first quarter of 1992, together with anticipated sales from these future contracts should commence during the Company's second or third quarter and should contribute to improved operating income. In addition, the Company continues its efforts to negotiate additional contracts.

The Company currently has outstanding 2,000,000 warrants issued to a marketing consultant in connection with services rendered to the Company. Of that amount, 250,000 were vested immediately and the balance are subject to a vesting schedule based on projected sales resulting from contracts obtained through the efforts of this consultant. All warrants will be exercisable to acquire Common Shares of the Company at a price of $3.00 per share. It is anticipated that all or a portion of these contingent warrants may vest in the future based on contracts which may be executed by the Company. Portions of the warrants are scheduled to vest upon execution by the Company of contracts with additional projected revenues of $5 million, $10 million, and $30 million. The Company may execute future contracts through the efforts of this marketing consultant and then must calculate projected sales to the Company. Based on the results of these calculations, a portion of the warrants may become vested.

Under generally accepted accounting principles, the Company will be required to recognize an increase in paid-in capital in an amount equal to a non-cash charge to operations at the time any of the warrants become vested. Such charge will be equal to the difference between the $3.00 exercise price of the warrants and the NASDAQ quoted price of the Company's Common Shares at the time of vesting. The equity section of the Company's financial statements would remain unchanged after this accounting treatment. Based upon current prices for the Company's Common Shares in the over-the-counter market, the Company will be required to recognize a substantial non-cash charge if all of the warrants were to vest presently.

PART II. OTHER INFORMATION
MEDI-MAIL, INC.

ITEM 1. LEGAL PROCEEDINGS.

The Company formally executed a settlement agreement with a former officer, director and employee of the Company resolving their dispute. The terms of the dispute, set forth in a complaint filed in a civil action in the State of Nevada, involved ownership of certain securities of the Company. Pursuant to the terms of the settlement agreement, the Company will receive the proceeds from the sale of approximately 12,000 Common Shares and the balance of the securities will be released to the individual. These proceeds were received in April, 1992.

ITEM 2. CHANGES IN SECURITIES.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

On January 17, 1992, the Company held its annual meeting of Shareholders. In addition to re-election of the entire Board of Directors and the approval of Price Waterhouse as auditors of the Company for the current fiscal year, the Shareholders approved amendments to the Company's existing stock option plans. An amendment to the Incentive Stock Option Plan increased the number of shares authorized to be issued under that Plan by 300,000 Common Shares. Amendments to the Non-Qualifying Stock Option Plan (NQSOP) instituted a formula pursuant to which each non-employee-director of Company received an automatic grant of 20,000 Common Shares upon completion of one year of service to the Company. The NQSOP was also amended to increase the number of shares authorized to be issued thereunder by 300,000 and otherwise conforming the Plan to certain requirements of Rule 16b-3 under the Securities and Exchange Act of 1934, as amended. Votes cast in favor of amending the ISOP were 2,351,668 and against such amendment were 19,038; votes cast in favor of amending the NQSOP were 3,401,935 and against, 14,038. It is anticipated that the next annual meeting of Shareholders will be held in the Spring of 1993.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. **EXHIBITS AND REPORTS ON FORM 8-K.**

(a) **Exhibits.**

Those exhibits previously filed with the Securities and Exchange Commission as required by Item 601 of Regulation S-K, are incorporated herein by reference in accordance with the provisions of Rule 12b-32.

(b) **Reports on Form 8-K.**

(i) Form 8-K dated January 31, 1992, wherein the Company reported the acquisition of Medco Drugs.

(ii) Form 8 dated March 12, 1992 to Form 8-K dated January 31, 1992.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MEDI-MAIL, INC.

Date: May 13, 1992

By: _____
M.B. Merryman, President and
Prindipal Executive Officer

_____
A.C. Colmie, Principal Financial
Officer